

AIR NEW ZEALAND

» ANNUAL  
RESULTS  
2008

AIR NEW ZEALAND 





## » HIGHLIGHTS

- Record operating revenue, up 9%
- Normalised earnings\* \$197m
- Net cash position of \$1.3bn
- Launched direct service to Vancouver and Beijing
- Award winning product and service
- Revenue per employee up 4%

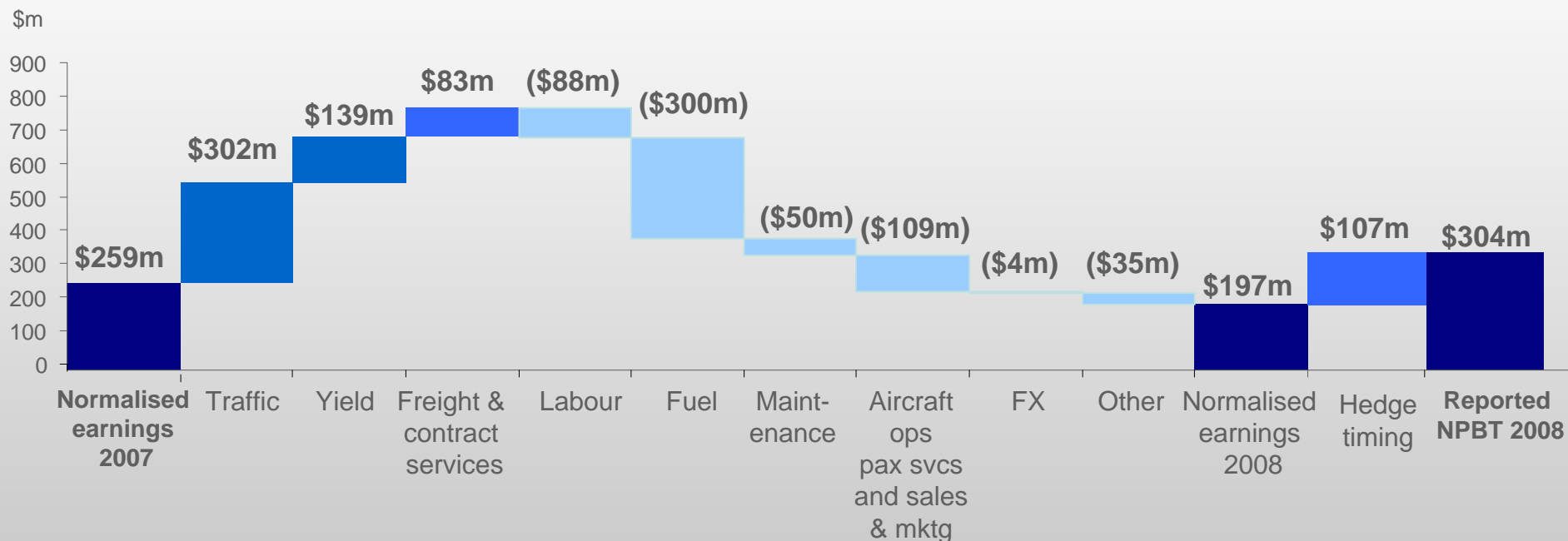
\* Normalised Earnings before unusual items and taxation after excluding net gains and losses on non-hedge accounted & ineffective derivatives that hedge exposures in other financial periods



## » MAIN DRIVERS

- Capacity increase of 5.4%
- Passenger load factor up 2.8 percentage points
- Increased freight and third party revenue
- Increased competition in domestic market
- Jet fuel price up 33% on an unhedged basis
- Softening economic conditions

# » KEY INFLUENCES ON PROFITABILITY



- Average hedged into plane fuel cost in FY08 was US\$105 per barrel (FY07: US\$89 per barrel)



## » PERFORMANCE

### LONG HAUL

- Load factor over 80%, passenger numbers up 12.3%
- Launched direct service to Vancouver and Beijing
- Business premier and PPE\* performing well
- Gate-to-gate inflight entertainment and concierge
- Continued optimisation of long haul network

\* Pacific Premium Economy



## » PERFORMANCE

### DOMESTIC

- Increased capacity by 7.5%
- Five more Q300 turbo props introduced to fleet
- Increased passenger numbers by 6.1%
- Load factor decreased by 0.7 percentage points
- Introduction of the KoruHour, Space+ Seats



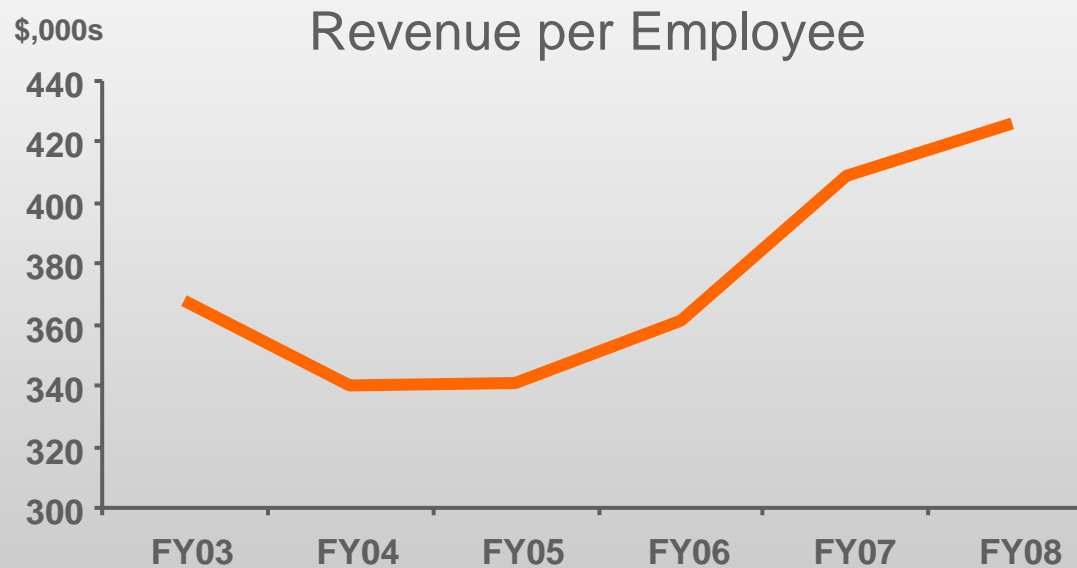
## » PERFORMANCE

### TASMAN & PACIFIC ISLAND

- Decreased capacity by 1.9%
- Load factor up 2.7 percentage points
- Merging of Freedom with Air New Zealand
- IFE\* upgrade programme commenced

\* Inflight entertainment

## PRODUCTIVITY



- \$37m extra cost savings achieved in 2008
- \$361m per annum in savings are now being delivered from business transformation initiatives already implemented



## » PERFORMANCE

### CUSTOMER SERVICE

- *ATW* - Best Passenger Service
- *OAG* - Best Transpacific Airline
- *Skytrax* - Second best business class
- *Guardian Observer* - runner up for Best Airline



## » STRATEGY

### PRIORITIES

- Closely matching supply to demand
- Being the leader in chosen markets
- Introducing short haul innovations
- Long haul focus on service and sales strategy
- Growing non-airline revenue sources
- Being the world's leading environmentally sustainable airline



## » STRATEGY

### LONG HAUL PRIORITIES

- Network changes in response to demand
- Implementation of fuel efficiency innovations
- Continuing North Asian network expansion
- Building on service and product offering
- Strategic planning for B777-300ER and B787-9



## » STRATEGY

### SHORT HAUL PRIORITIES

- Domestic airport, inflight and loyalty changes
- Inflight entertainment for all seats on Tasman
- New Grabaseat “everyday low fare” initiatives
- Space+ Seats across short haul international



# » STRATEGY

## OTHER BUSINESS

- Cargo
  - Optimisation of core business
- Engineering
  - High utilisation of facilities with third party focus
- Airpoints
  - Exploring wider applications outside air travel



## » STRATEGY

### ENVIRONMENT

- Being world's leading environmental airline
  - Biofuels development
  - Fuel efficiency innovations
  - Environmental Management System
  - Voluntary carbon off-set programme
  - Air New Zealand Environmental Charitable Trust

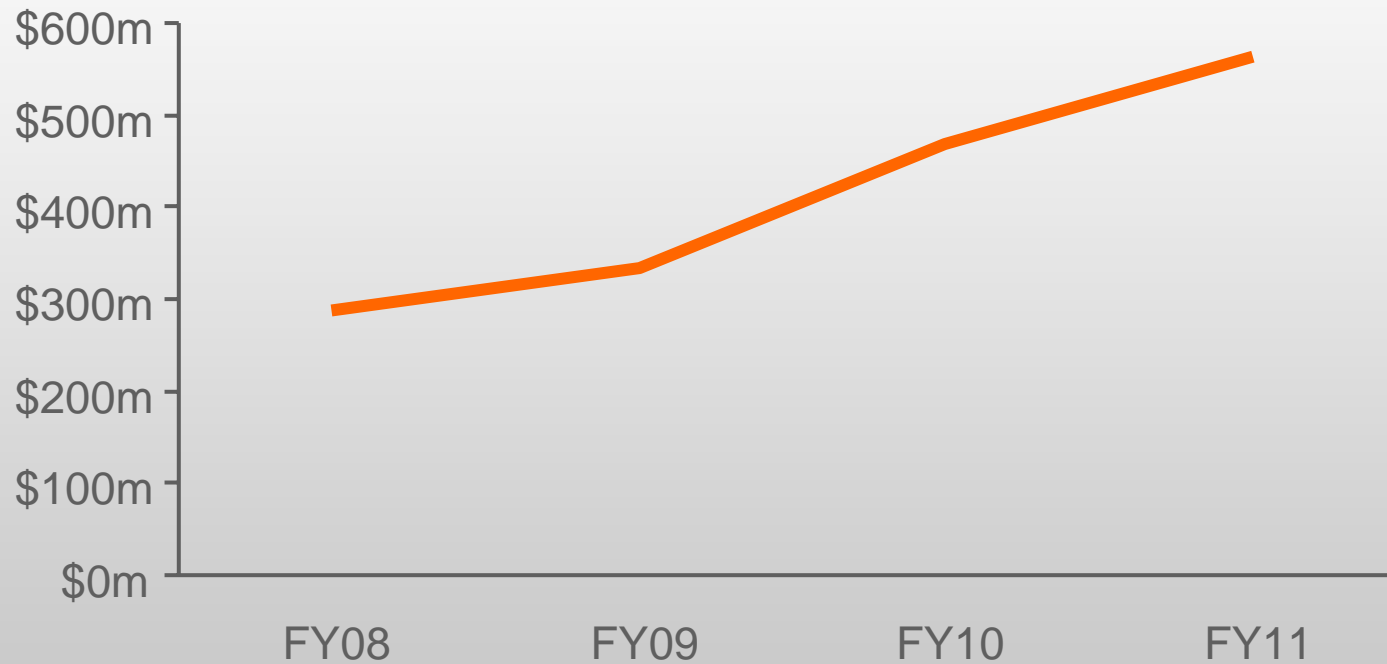


## » FINANCIAL MANAGEMENT

### HIGHLIGHTS

- \$1.3bn cash on balance sheet at year end
- Gearing 45.5%, 7.6 percentage point improvement
- Average fleet of 6.5 years
- Moody's rating – Ba1 stable
- Full year dividend at 8.5 cents per share
- 2 x Boeing 747-400s sold and leased back

# » CAPEX PROJECTION



1. Includes progress payments on aircraft
2. Assumes NZD/USD = 0.75



## » RISK MANAGEMENT

### FUEL HEDGING\*

- The first half of FY09 is approx. 74% hedged with the average ceiling at US\$104 per barrel of WTI crude oil
- The second half of FY09 is approx. 38% hedged with the average ceiling at US\$127 per barrel of WTI crude oil

\* Fuel hedge position as at 18 August 2008



## » RISK MANAGEMENT

### CURRENCY HEDGING

- 2009 US dollar operating cash flow exposure is approx. 90% hedged at an average NZ\$/US\$ rate of 0.76
- US\$319m of future capex commitments are hedged at NZ\$/US\$ rate of 0.75 (spot)



## » OUTLOOK

- Volatile trading conditions
- Strong financial position
- Competitive strength in core markets

Based on the existing hedging policy and network plan, in the current market conditions Air New Zealand expects to operate profitably, on a Normalised Earnings basis, if the average price of jet fuel is below US\$140 per barrel for the 2009 financial year.



## » SUPPLEMENTARY INFORMATION

- Financial overview
- Hedges relating to other financial period
- Group operating performance
- Group operating statistics
- Long haul operating statistics
- Short haul operating statistics
- New aircraft arrivals
- Operating fleet

## » FINANCIAL OVERVIEW

	June 2008	June 2007	Dollar movement	Percentage movement
Operating revenue	\$4,667m	\$4,279m	\$388m	9%
Normalised Earnings*	\$197m	\$259m	\$(62)m	(24)%
Net profit after tax	\$218m	\$221m	\$(3)m	(1)%
Adjusted operating cash flow	\$662m	\$626m	\$36m	6%
Net cash	\$1,289m	\$1,057m	\$232m	22%
Gearing	45.5%	53.1%		7.6 pts
Annual dividend (excluding 2007 special dividend)	8.5cps	8.0 cps	0.5 cps	6%
Special dividend	-	10.0 cps	(10.0) cps	n/a

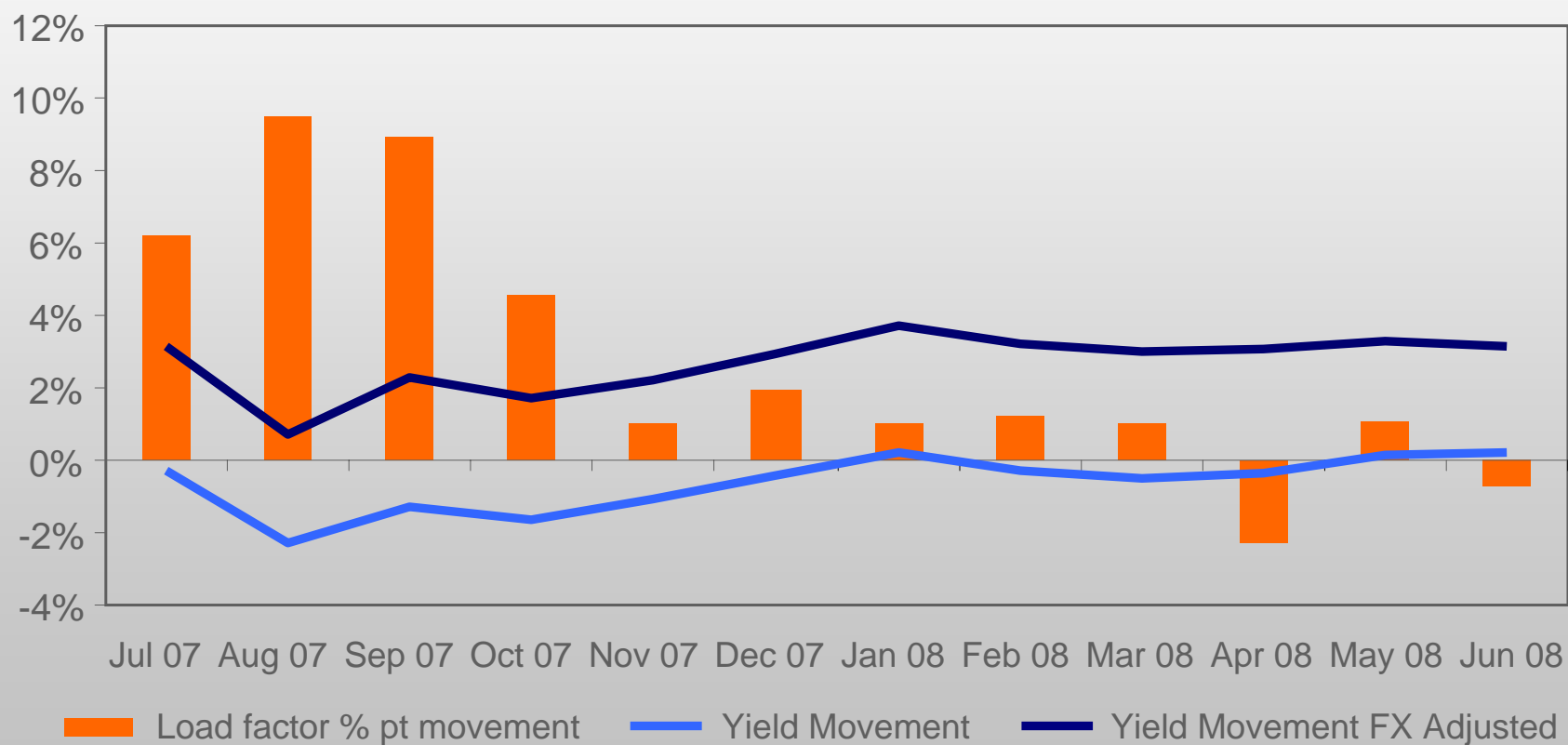
\* Normalised Earnings represents Earnings stated in compliance with NZ IFRS after excluding net gains and losses on non hedge-accounted and ineffective derivatives that hedge exposures in other financial periods

## » HEDGES RELATING TO OTHER FINANCIAL PERIODS

	June 2008	June 2007
Earnings before Unusual Items and Taxation	\$304m	\$266m
Reverse net (gains) / losses on non hedge accounted and ineffective derivatives that hedge exposures in other financial periods:		
Fuel derivatives	\$(129)m	\$1m
Foreign exchange derivatives	\$20m	\$(17)m
Interest rate derivatives	\$2m	\$9m
Normalised Earnings before Unusual Items and Taxation	\$197m	\$259m

# GROUP OPERATING PERFORMANCE

Year-on-Year Load Factor & Year to Date Yield Movements



# » GROUP OPERATING STATISTICS

	June 2008	June 2007	Movement*
Passengers carried	13.2m	12.5m	5.6%
Available seat kilometres (ASKs)	36,991m	35,113m	5.4%
Load factor	79.3%	76.5%	2.8 pts
Yield (cents per RPK)	13.0	12.9	0.2%

\* Calculations based on numbers before rounding

# » LONG HAUL OPERATING STATISTICS

	June 2008	June 2007	Movement*
Passengers	2.0m	1.7m	12.3%
ASKs	22,243m	20,525m	8.4%
RPKs	18,015m	15,894m	13.3%
Load factor	81.0%	77.4%	3.6 pts

\* Calculations based on numbers before rounding

# » SHORT HAUL OPERATING STATISTICS

	June 2008	June 2007	Movement*
Passengers	11.2m	10.7m	4.5%
ASKs	14,748m	14,588m	1.1%
RPKs	11,334m	10,980m	3.2%
Load factor	76.9%	75.3%	1.6 pts

\* Calculations based on numbers before rounding

## » NEW AIRCRAFT ARRIVALS

Aircraft Type	FY09	FY10	FY11	FY12	FY13
Boeing 777-300ER	-	3	1	-	-
Boeing 787-9	-	-	-	3	2
Bombardier Q300	2	-	-	-	-
Beech 1900D	1	-	-	-	-

\* In addition, one A320 currently on lease to XL Airways in Germany will be returned to the Air New Zealand fleet in November 2008.

## » CURRENT OPERATING FLEET

Aircraft Type	June 2006	2007 movement	June 2007	2008 movement	June 2008
Boeing 747-400	8	-	8	-	8
Boeing 777-200ER	5	3	8	-	8
Boeing 767-300ER	7	(1)	6	(1)	5
Airbus A320-200	12	-	12	-	12
Boeing 737-300	14	-	14	2	16
ATR 72-500	11	-	11	-	11
Saab 340A	13	(10)	3	(3)	-
Bombardier Q300	8	8	16	5	21
Beech 1900D	16	1	17	-	17
<b>Total operating fleet</b>	<b>94</b>	<b>1</b>	<b>95</b>	<b>3</b>	<b>98</b>



AIR NEW ZEALAND 